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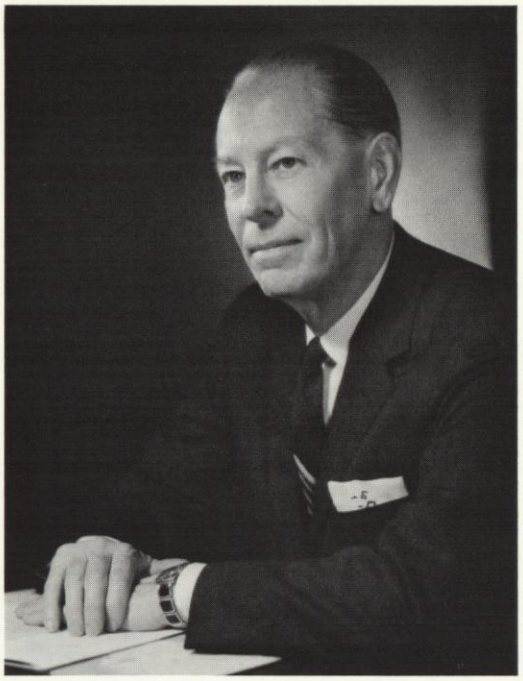
Chicago Transit Authority 1968 annual report

Chairman's letter



Owing to the availability of Federal financial aid provided by the Mass Transportation Act, transit improvement projects totaling more than 116 million dollars were under way in Chicago during 1968.

Foremost among the projects are the construction of rapid transit facilities in the medians of the Dan Ryan and Kennedy Expressways. Extensions of 11 miles south from the Loop to 95th Street and north from Logan Square a distance of five miles to about Foster Avenue will cost more than 107 million dollars, including the purchase of 150 new cars for the routes.

These projects are being financed by City of Chicago general obligation bonds for the one third share that is matched by Federal funds for the remaining two thirds. The Chicago Department of Public Works is supervising all this work.

Other rapid transit projects being financed by City and Federal funds are the quarter-mile extension of the Englewood "L" route to a modern terminal at 63rd Street and Ashland Avenue and the coordination of CTA and Chicago and North Western Railway stations at Lake and Clinton Streets, costing 6.7 million and 400 thousand dollars, respectively.

The Authority's application for a Federal mass transportation demonstration grant to fund a research project to develop and test an automatic vehicle monitoring system on 500 CTA buses was also approved by the U.S. Department of Transportation during the year. Two-thirds of the 2 million dollar project cost is provided by a Federal grant matching one-third CTA funds.

As these projects are completed during 1969-70 we will face new challenges and problems. I speak on behalf of my fellow Board members, as well as all employes of the Authority, when I say that we are gratified to operate these facilities and to improve service to our riders and to the Chicago area.

This report summarizes the activities and financial results for Chicago Transit Authority's fiscal year ended December 28, 1968. Although revenues for the year were more than three per cent greater than during the previous year, expenses of more than four per cent in excess of 1967 resulted in a deficit of 7.3 million dollars, and an accumulated deficit of 15.1 million dollars.

George DeMent

Chicago Transit Board

GEORGE L. DeMENT, Chairman (M)	Term Expires August 31, 1973
JAMES R. QUINN, Vice Chairman (M)	Term Expires August 31, 1971
WILLIAM W. McKENNA, Secretary (M)	Term Expires August 31, 1967*
JOSEPH D. MURPHY (M)	Term Expires August 31, 1972
RAYMOND J. PEACOCK (G)	Term Expires August 31, 1968*
JAMES E. RUTHERFORD (G)	Term Expires August 31, 1969
MRS. BERNICE T. VAN DER VRIES (G)	Term Expires August 31, 1970

M—Appointed by the Mayor of the City of Chicago.
G—Appointed by the Governor of the State of Illinois.
*—Continues to serve until a successor has been appointed and has qualified.

THOMAS B O'CONNOR, General Manager
GEORGE J. SCHALLER, General Attorney

Chicago Transit Authority twenty-fourth annual report

for the fiscal year ended December 28, 1968

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the year in brief

financial summary

	1968	1967
Operating revenue	$152,900,000	$148,000,000
Operating expense	140,400,000	134,700,000
Deficit in depreciation provision after debt service charges—		
Current year	(7,300,000)	(5,900,000)
Previous year	(7,800,000)	(1,900,000)
Total	$ (15,100,000)	$ (7,800,000)

( ) Denotes red figures

statistics

Originating revenue passengers	457,800,000	510,500,000
Revenue car and bus miles	148,600,000	152,400,000
Passenger rides per mile operated	3.08	3.35
Population of Chicago	3,470,000	3,520,000
Rides per capita	132	145
Number of active employes	12,010	12,213

operations review

riding trends

A decrease in riding for the 1968 fiscal year had been anticipated because of a five-cent increase in adult fares effective November 5, 1967, and the trend during the first three periods reflects this loss of patronage. Contributing to an even greater loss in originating revenue passengers were the riots and fires during the 4th period that erupted following the assassination of the Reverand Dr. Martin Luther King Jr. on April 4 and wildcat strikes by the Concerned Transit Workers during the 7th, 9th, and 10th periods. Riding during the last ten days of 1968 was adversely affected by increases of 10¢ in the basic adult fare (to 40¢) and 8¢ in the basic child and student fare (to 20¢) effective December 19, 1968.

Details of originating revenue passengers arranged in periods for comparison purposes for fiscal years 1968 and 1967 are shown in the following table:

Periods	Originating Revenue Passengers		Decrease	
	1968	1967	Number	Per Cent
1, 2, 3	112,666,118	120,795,757	8,129,639	6.73
4*, 5, 6	110,574,857	120,019,131	9,444,274	7.87
7*, 8, 9*, 10*	129,543,021	154,112,918	24,569,897	15.94
11, 12, 13	104,985,794	115,580,590	10,594,796	9.17
Total	457,769,790	510,508,396	52,738,606	10.33

*Period 4 (April 5th to 10th) Riots caused a decrease in passengers of 9.58%.
*Period 7 (July 2nd to 6th) Strike by the Concerned Transit Workers; decrease in passengers was 15.38%.
*Period 9 (August 25th to September 7th) Strike by the Concerned Transit Workers; decrease in passengers was 23.96%.
*Period 10 (September 8th to 15th) Strike by the Concerned Transit Workers; decrease in passengers was 15.38%.

originating revenue passengers 1948 through 1968

Calendar Year	Surface System	Per Cent	Rapid Transit System	Per Cent	System Total
1948	825,379,675	85.7	137,621,520	14.3	963,001,195
1949	724,851,315	85.6	122,259,827	14.4	847,111,142
1950	641,597,249	85.3	110,603,719	14.7	752,200,968
1951	584,141,163	83.8	112,807,016	16.2	696,948,179
1952	545,332,228	82.9	112,687,227	17.1	658,019,455
1953	574,821,563	83.7	111,738,503	16.3	686,560,066
1954	529,934,199	82.7	111,232,302	17.3	641,166,501
1955	510,603,672	81.9	112,889,976	18.1	623,493,648
1956	505,623,461	81.4	115,659,105	18.6	621,282,566
1957	469,785,257	80.7	112,280,610	19.3	582,065,867
1958	426,226,629	80.0	107,067,414	20.0	533,294,043
1959	432,684,329	79.2	113,330,994	20.8	546,015,323
1960	421,832,145	78.9	112,924,491	21.1	534,756,636
1961	395,405,445	78.2	110,126,318	21.8	505,531,763
1962	390,842,961	77.4	114,068,016	22.6	504,910,977
1963	381,166,527	77.4	111,065,005	22.6	492,231,532
*1964	379,251,204	77.3	111,218,011	22.7	490,469,215
*1965	388,076,702	77.2	114,597,086	22.8	502,673,788
**1966	405,728,973	77.5	117,562,012	22.5	523,290,985
*1967	389,770,830	76.3	120,737,566	23.7	510,508,396
*1968	346,976,958	75.8	110,792,832	24.2	457,769,790

*The fiscal years 1964-65-67-68 consist of thirteen four-week periods.

**The fiscal year 1966 consists of thirteen periods, plus an extra week to cause the total period to close December 31.

modernization, improvements and construction

Congress Terminal Yard Facilities were expanded during the year to provide additional rapid transit car storage in connection with the Kennedy rapid transit extension. Real estate was purchased and tracks and a drainage system were constructed. Construction was also started on the addition to the existing terminal inspection shop building which is scheduled for completion in 1969.

63rd and Racine Terminal Shop, the rapid transit car inspection facility being built in connection with the Englewood extension, entered the first phase of construction with the removal of existing elevated structures and the start of work on the permanent facility scheduled for completion during 1969.

Rail, Deck and Structures continued to be improved during the year with normal renewals throughout the rapid transit system. Rehabilitation of track and structure extending south of the Loop from Van Buren Street to 16th Street was completed in connection with the Dan Ryan rapid transit extension.

To insure the continuous operation of trains during snow and sleet conditions, electric switch heaters were installed on various main line crossover switches throughout the rapid transit system. Switch machines at the Howard Street Terminal were replaced with new style equipment during the year.

Rapid Transit Station Improvements made during the year include the modernized facade at the State & Lake "L" station completed with the installation of a curtain wall.

Conversion of Substations from 25-cycle to 60-cycle power input and from manual to automatic operation continued with the completion of work at the Lotus, State, and Franklin substations. These facilities are the seventh, eighth, and ninth of 19 substations to be converted, modernized, and placed under central supervisory control in the 10-year program, the 12 million dollar cost of which is being shared by CTA and the Commonwealth Edison Company.

vehicle miles

The Authority continued to maintain attractive, convenient, and frequent service during 1968. Combined vehicle miles operated totaled 148,586,-293, a decrease of 3,801,423 (2.49%) under 1967. Surface system miles operated were 103,792,481, a decrease of 3,281,061 (3.06%) under 1967. Rapid transit system car miles operated were 44,793,-812, a decrease of 520,362 (1.15%) under 1967.

During 1968 the surface system operated an average of 2,747 buses approximately 326,748 miles each weekday, while the rapid transit system operated an average of 993 cars approximately 148,985 miles each weekday.

Average scheduled speed of buses in 1968 was 12.05 mph as compared with 11.96 mph in 1967, while the rapid transit system average scheduled speed of cars in 1968 was 22.96 mph as compared with 23.13 mph in 1967.

new revenue vehicles

During 1968 the Authority placed an order for 176 new 50-seat diesel-powered buses and received the first 109 units, costing $3,300,000.

At December 28, 1968, the Authority owned 4,457 vehicles--3,300 buses and 1,157 rapid transit cars.

public safety

For the eighth consecutive year, CTA operating employes maintained a traffic and passenger accident frequency rate of 10 or fewer accidents per 100,000 miles operated. The 1968 combined surface and rapid transit traffic and passenger accident frequency rate was 9.6. This was 3.5% lower than the 1967 rate and 39.1% better than the 1954 rate of 15.8 when intensive safety-training activities began.

For the year, the rapid transit system established a safety mark that has been bettered only once in CTA's 21 years of operation. The combined traffic and passenger accident frequency rate of 1.65 was only 0.6% higher than the all-time low rate of 1.64 established in 1966. It was 5.7% better than the 1967 rate.

The surface system rate of 13.1 was a 2.9% improvement over the 1967 rate.

These achievements were recorded during a year of serious manpower shortages and accident hazards caused by increased traffic congestion and operation through and around numerous construction projects.

The following table shows a comparison of the Authority's public accident experience which includes all accidents regardless of liability or severity:

				1968 Decrease	
	1968	1967	1954	From 1967	From 1954
Traffic accidents	8,915	9,357	16,300	4.7%	45.31%
Passenger accidents	5,238	5,617	9,678	6.7%	45.88%
Total accidents	14,153	14,974	25,978	5.5%	45.52%
Revenue miles on routes (in thousands)	146,926	150,000	164,222	2.0%	10.53%
Frequency rate—Accidents per 100,000 miles—					
Traffic accidents	6.07	6.24	9.93	2.7%	38.87%
Passenger accidents	3.57	3.74	5.89	4.5%	39.39%
Total accidents	9.63	9.98	15.82	3.5%	39.13%

Note: Figures in this tabulation are based on a calendar year.

employment

During the year, the Authority encountered difficulty in recruiting and hiring a sufficient number of bus operators to ease the critical shortage. Shortages also became more severe in the bus serviceman position as well as some clerical functions. The continued high level of employment in the Chicago area is the main cause of the problem, not only for CTA, but for many other employers who are experiencing manpower shortages.

In the course of the year, 11,280 persons applied for employment in all classifications. The main hiring activity was again in the bus operator group with 820 permanent operators hired and 739 temporary drivers hired for the summer months.

Efforts were expended in existing methods of recruitment. These included appeals for employe referrals; direct advertising through messages on transfer backs and posters on CTA vehicles and property; placing of job orders with the Illinois State Employment Service and other federal, community, and civic agencies, and participation in career conferences and employment fairs.

New sources of recruitment were also explored, with visits made by employment interviewers in areas of downstate Illinois and northern Indiana where the unemployment rate was significantly greater than in Chicago. Attempts were also made to attract men who were completing their military tours of duty.

Although further expansion of existing recruitment programs and exploration of new sources will be made, it is anticipated that a manpower shortage will continue through the foreseeable future.

In addition to recruitment, selection, and hiring of new employes, there was increased activity in filling vacancies through the job posting system and in reassigning employes who were displaced because of physical disabilities or departmental reorganizations.

training and instruction

As in past years, turnover, upgrading, and the manpower shortage required the training of a great number of new employes, especially in the classifications of bus operator, bus serviceman, rapid transit conductor, and ticket agent. Turnover and upgrading in these groups accounted for the training of about 1,500 new employes in 1968. To help compensate for the manpower shortage, a total of 946 temporary summer employes were hired and trained to fill jobs in these four classifications. The summer employes presented a difficult and demanding training task because they had to be trained in a short period of time.

personnel

Total employes in service at the close of the fiscal year ended December 28, 1968, numbered 12,233, a decrease of 216 from 12,449 in service at December 30, 1967.

During the fiscal year 1968, 439 employes retired on pension and 437 pensioners died. There were 5,369 retired employes on pension at the end of 1968.

The following changes were made in executive and supervisory positions during 1968:

J. J. Repplinger was appointed Superintendent of Surface Shops and Garages, effective January 14, 1968.

E. E. Olmstead was appointed Superintendent of Engineering, effective January 14, 1968, succeeding Harold A. Anthon, deceased.

E. F. Weingartner was appointed General Superintendent of Investigations and Claims effective December 12, 1968, succeeding E. J. Healy, deceased.

financial results

Operations for the year 1968 were seriously affected by riots following the death of Dr. Martin Luther King Jr. in April; by partial wildcat strikes in July by both surface and rapid transit system employes and in August and September by surface system employe-members of the Concerned Transit Workers; by increased costs of wages, improved working conditions, and other employe benefits; and ultimately by an increase in rates of fare in December, 1968.

Total operating revenues for the fiscal year 1968 amounted to $152,937,285, an increase of $4,958,048 (3.4%) over 1967. Operating expenses of $140,418,112 increased $5,731,776 (4.3%) over 1967.

Revenues for July, August, and September, 1968, were not sufficient to make the total deposits required in the debt service funds and in order to comply with the requirements of the Trust Agreement securing the Authority's revenue bonds, it was necessary to transfer $492,862 from the Operating Expense Reserve Fund to cover this deficiency.

Revenues for the remaining periods were available to meet debt service requirements, but fell $7,243,161 short of meeting the total provision requirement for depreciation.

Comparative results of operations for the fiscal years 1968 and 1967 are shown below:

	1968	1967
Operating revenue	$152,937,285	$147,979,237
Operating expenses	140,418,112	134,686,336
Revenue available for debt service	12,519,173	13,292,901
Debt service requirements	8,020,213	8,054,390
Transfer from operating expense reserve to meet deficit in July, August, and September, 1968, debt service requirements	(492,862)	(603,836)
	7,527,351	7,450,554
Revenue available for depreciation	4,991,822	5,842,347
Depreciation requirement-current period	12,234,983	11,838,338
Deficit in depreciation provision	($7,243,161)	($5,995,991)

(Denotes red figures)

Sources of the Authority's revenue for the fiscal years 1968 and 1967 were as follows:

	1968	1967	Increase (Decrease) Amount	Increase (Decrease) Per Cent
Passenger revenues—				
Surface system	$111,999,739	$110,003,220	$1,996,519	1.82
Rapid transit system	37,284,028	34,409,427	2,874,601	8.35
	149,283,767	144,412,647	4,871,120	3.37
Charter service	941,899	674,952	266,947	39.55
	150,225,666	145,087,599	5,138,067	3.54
Other revenues—				
Station and car privileges	771,102	856,375	(85,273)	(9.96)
Rent of buildings and other property	501,450	487,482	13,968	2.87
Miscellaneous	1,439,067	1,547,781	(108,714)	(7.02)
	2,711,619	2,891,638	(180,019)	(6.23)
Total operating revenue	$152,937,285	$147,979,237	$4,958,048	3.35

Passenger revenues for 1968 increased $4,871,120 (3.37%) over 1967 due to revisions of the basic adult fare structure effective November 5, 1967, and December 19, 1968.

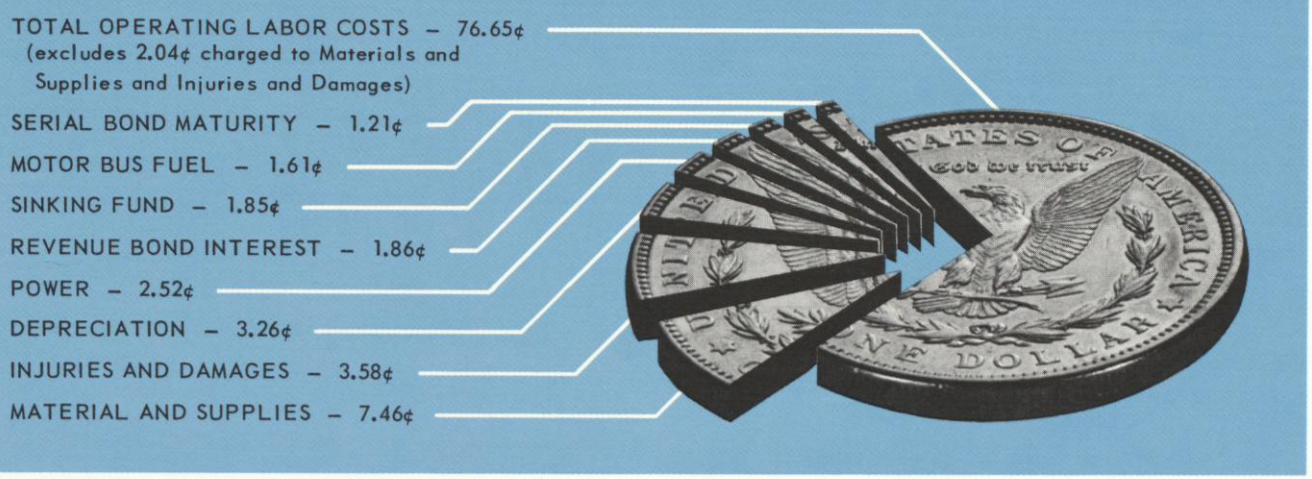
Charter service revenue increased $266,947 (39.55%) and other revenues were down $180,019 (6.23%).

Operating expenses increased $5,731,776 (4.26%) despite operating economies in controllable expenses. These were due primarily to spiraling labor costs arising from increases in wages and employe fringe benefits.

The principal elements comprising operating expenses for the fiscal years 1968 and 1967 are shown below:

	1968	1967	Increase (Decrease) Amount	Increase (Decrease) Per Cent
Wages and salaries	$102,216,987	$ 95,363,340	$6,853,647	7.19
Pension contributions	9,302,921	8,750,321	552,600	6.32
Federal insurance contributions	4,095,180	3,625,301	469,879	12.96
Employes' insurance	1,611,674	1,545,446	66,228	4.29
Total labor costs	$117,226,762	$109,284,408	$7,942,354	7.27
Electric power purchased	3,848,042	3,991,111	(143,069)	(3.58)
Motor bus fuel consumed	2,469,752	2,481,453	(11,701)	(.47)
Operating material and supplies	7,548,738	7,600,554	(51,816)	(.68)
Provision for injuries and damages	5,470,775	5,919,170	(448,395)	(7.58)
Misc. services, supplies, etc.	3,854,043	5,409,640	(1,555,597)	(28.76)
Total operating expenses	$140,418,112	$134,686,336	$5,731,776	4.26

distribution of CTA's revenue dollar


TOTAL OPERATING LABOR COSTS – 76.65¢
(excludes 2.04¢ charged to Materials and Supplies and Injuries and Damages)
SERIAL BOND MATURITY – 1.21¢
MOTOR BUS FUEL – 1.61¢
SINKING FUND – 1.85¢
REVENUE BOND INTEREST – 1.86¢
POWER – 2.52¢
DEPRECIATION – 3.26¢
INJURIES AND DAMAGES – 3.58¢
MATERIAL AND SUPPLIES – 7.46¢

Wages and salaries increased in 1968 by the application of higher hourly wage rates, and increases in cost-of-living allowances and fringe benefits provided in contracts negotiated in 1965 and 1968. These changes, applied to the basic bus operator wage rate are shown below:

	Basic Hourly Rate	Cost-of-Living Allowance	Total
December 30, 1967	$3.410	+0.215	$3.625
1968 changes—			
Effective March 1	—	+0.025	0.025
June 1	—	+0.045	0.045
September 1	—	+0.050	0.050
December 1	+0.255	—	0.255
Net change	+0.255	+0.120	0.375
December 28, 1968	$3.665	$0.335	$4.00

New three-year wage contracts, effective December 1, 1968, negotiated with Divisions 241 and 308 of the Amalgamated Transit Union, provided for hourly wage increases of 25½¢ on December 1, 1968, 10¢ on December 1, 1969, 10¢ on June 1, 1970, 7¢ on December 1, 1970, and 8¢ on June 1, 1971. The then current cost-of-living allowance (33½¢) was incorporated into the December 1, 1968, basic hourly wage rate. The cost-of-living allowance is continued in the new contracts, starting on or after March 1, 1969, with quarterly adjustments thereafter, if warranted by changes in the cost-of-living index for the City of Chicago.

In addition to wage adjustments, the contracts provide increases in welfare benefits; additional holidays with pay; an increase in sick and accident insurance payments from $70.00 to $77.50 per week effective December 1, 1968, with additional increases in subsequent years; an increase in hospital insurance for room and board from $16.00 to $35.00 per day; life insurance of $3,000 after one year and less than five years of service, and of $6,000 after five years of service; accidental death and dismemberment insurance of $50,000; vacation increases to three weeks after six years, four weeks after 16 years and five weeks after 22 years of service, and uniform and work clothes allowances to employes required to wear them at work.

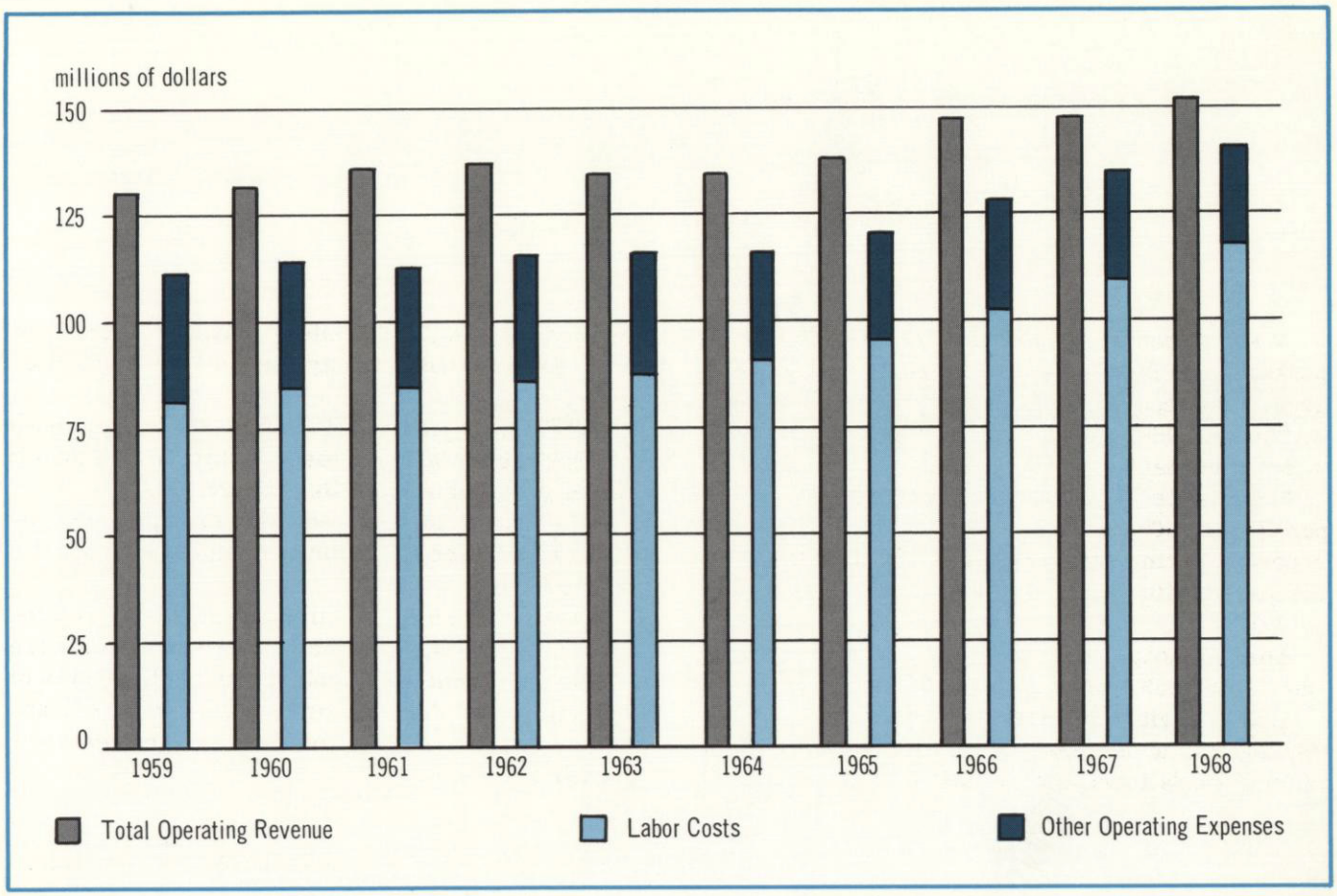
Operating labor hours for the fiscal year 1968 totaled 24,358,014, compared to 24,890,879 for 1967, a decrease of 532,865 hours.

Pension contributions of $9,302,921 for the year 1968 were $552,600 over 1967 due to higher employe earnings. The Authority's contribution rate for 1968 was 9%, and employes' was 5% of gross earnings. Effective January 1, 1969, the Authority's contribution will be 10.2% and employes' 5.8% of gross earnings in accordance with the pension agreement of January 1, 1968.

Federal Insurance Contributions (Social Security and Medicare) of $4,095,180 increased $469,879 over 1967, due to an increase in 1968 taxable wage base earnings from $6,600 to $7,800. Tax rates were the same in both years (4.4%).

Employes' group insurance premiums of $1,611,674 increased $66,228 over 1967 due to additional benefits provided by new wage contracts.

Electric power purchased during 1968 was $143,069 less than in 1967 due to reduced mileage operated by electric-powered vehicles.



Motor bus fuel costs for 1968 were $11,701 less than in 1967. A reduction in miles operated reduced costs $80,984 and an improvement in miles operated per gallon of fuel consumed effected savings of $15,110. Savings were partially offset, however, by an increase in cost per gallon totaling $84,393.

Operating material and supplies costs decreased $51,816 under 1967 as a result of reduced material usage.

Provision for injury and damage settlements was accrued at 4% of gross revenues for December 31, 1967, 3½% from January 1 to November 30, 1968, and 4½% from December 1 to December 28, 1968, resulting in a reduction of $448,395 from 1967.

Claim and suit settlements, and expenses applicable thereto, amounted to $8,345,400 in 1968 compared with $8,342,214 in 1967 as shown in the following table:

	1968	1967	Increase (Decrease)
Claim settlements—			
Number	16,567	16,401	166
Settlement costs	$2,623,893	$2,608,803	$ 15,090
Expenses	1,060,768	998,616	62,152
Total cost of claims	$3,684,661	$3,607,419	$ 77,242
Suit settlements—			
Number	2,777	2,575	202
Settlement costs	$3,344,757	$3,604,890	$(260,133)
Expenses	1,315,982	1,129,905	186,077
Total cost of claims	4,660,739	4,734,795	(74,056)
Total costs	$8,345,400	$8,342,214	$ 3,186

Average cost per claim settled, excluding expenses, was $158 in 1968 compared with $159 in 1967. Suit costs, excluding expenses, averaged $1,204 in 1968, compared with $1,400 in 1967. The total cost of claim and suit settlements in 1968 amounted to 5.5% of gross revenue, compared with 5.6% in 1967. The number of incidents reported during the year totaled 22,669 in 1968, compared with 23,617 in 1967, a decrease of 948 or 4.0%.

Miscellaneous services and supplies costs were $1,555,597 lower than in 1967.

Debt service requirements for 1968 totaled $8,020,213, a decrease of $34,177. Deposits to sinking funds increased $185,086 to the required total of $3,185,756, while deposits to series of 1947 Serial Bond Maturity Fund of $1,989,247 decreased $5,376.

Interest payments of $2,845,210 on revenue bonds during 1968 decreased $213,887 as a result of the retirement of bonds during 1968.

The annual interest reduction on $3,615,000 retired in advance of maturity during 1968 amounts to $142,020.

Series of 1947 serial bond maturity retirements of $2,000,000 principal amount bonds were at par. Current year sinking fund retirements of principal, the discount or premium involved, and future interest savings on these retirements are detailed below:

Series	Total Revenue Bonds Retired (Serial Maturities and Sinking Funds)		Sinking Fund Retirements			
	1968	Since Issue	Par Value	Cost	Discount (Premium)	Interest Savings to Maturity
1947	$4,754,000	$58,792,000	$2,754,000	$2,505,634	$248,366	$1,035,943
1952	676,000	5,511,000	676,000	634,702	41,298	426,472
1953	185,000	1,551,000	185,000	187,017	(2,017)	116,839
Total	$5,615,000	$65,854,000	$3,615,000	$3,327,353	$287,647	$1,579,254

Provision for depreciation (8% of gross revenues) amounted to $12,234,983, an increase of $396,644.

financial position

Statements setting forth the financial position of the Authority at December 28, 1968, together with the report of Arthur Andersen & Co., independent public accountants, and other statements showing various phases of operations for the fiscal year ended that date are presented on pages 13 through 21 of this report.

outlook for 1969

financial budget

An operating budget of $179,284,000 for the fiscal year 1969 was approved by Chicago Transit Board during December, 1968, which indicated revenues would be sufficient to cover all operating expenses and debt service on revenue bonds, but there would be a $9,707,000 deficiency in making deposits to meet depreciation provision requirements for 1969. The total deficiency, including a carry-over of $15,308,700 from 1968, was expected to amount to $25,015,700 by the end of 1969.

Passenger revenue estimates for 1969 were based on the anticipated loss in riding and increase in passenger revenues arising from the new rates of adult, student and child fares effective December 19, 1968.

Expenses budgeted were based on wage rates in effect at the close of the fiscal year of 1968, including a basic wage increase of 25½ cents per hour and a 33½ cents cost-of-living allowance included in the base rate effective December 1, 1968. Rises in material and service costs were also anticipated.

budget for capital projects

Cash available for capital outlays in 1969, including a carry-over of capital funds appropriated but not spent in 1968, is estimated at $11,579,600. Of this amount, $3,692,000 is committed or planned for the purchase of passenger equipment. Most of the remaining balance is committed for other capital projects urgently needed, some of which are already under way.

Major capital items budgeted are as follows:

Equipment trust certificate costs	$ 1,695,600
Purchase of passenger equipment	3,692,000
Purchase of fare boxes	1,000,000
Substation conversion - CTA portion	875,320
Rapid transit track and structures	1,154,000
Surface system buildings and construction	1,282,200
Rapid transit buildings and construction	495,000
Surface system electrical construction	170,780
Rapid transit electrical construction	520,000
Purchase tools and shop equipment and scrapping passenger equipment	40,000
Material handling equipment - Stores Department	15,000
Purchase office machines and office equipment	25,000
Automotive equipment - Transportation Department	325,000
General and administrative costs capitalized	428,000
Purchase and sale of real estate (net)	(200,000)
Contingencies	61,700
	$11,579,600

acknowledgements

The Board wishes to express its appreciation and thanks to the employes whose courtesy, skill and dedication to public service contributed so much to the achievements of the year, and to the riding public for their valued patronage and support.

We also thank the several public bodies, public officials and others who have assisted the Authority, for their continued cooperation and help in effecting transportation improvements in the Chicago area.

Special thanks are extended to those State legislators who made possible reimbursement to the Authority for the costs of transporting school children at a reduced fare.

Chicago Transit Board

Room 734
Merchandise Mart Plaza
Chicago, Illinois 60654

auditors' report

To Chicago Transit Board of
Chicago Transit Authority:

We have examined the balance sheet and statement of long-term debt of CHICAGO TRANSIT AUTHORITY (an Illinois municipal corporation) as of December 28, 1968, and the related statements of changes in appropriated net earnings, of application of revenue and of funds for the fifty-two week period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding fiscal period.

In our opinion, the accompanying balance sheet and statements of long-term debt, of changes in appropriated net earnings and of funds present fairly the financial position of Chicago Transit Authority as of December 28, 1968, and the sources and disposition of funds for the fifty-two week period then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal period. Also, in our opinion, the accompanying statement of application of revenue presents fairly the distribution of revenue for the fifty-two week period ended December 28, 1968, in accordance with the provisions of the trust agreement securing the revenue bonds.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
March 14, 1969

balance sheets

	Dec. 28, 1968	Dec. 30, 1967
assets		
Transportation Property, at cost	$247,445,943	$244,808,479
Less—Reserve for depreciation	126,957,816	117,921,985
	$120,488,127	$126,886,494
Special Funds, cash and U.S. Government securities, at cost:		
Held by revenue bond trustee—		
Depreciation reserve	$ 2,011,161	$ 4,429,084
Operating expense reserve	751,561	1,244,423
	$ 2,762,722	$ 5,673,507
Damage reserve	4,371,044	7,245,670
	$ 7,133,766	$ 12,919,177
Current Assets:		
Cash and U.S. Government securities, at cost—		
Working cash account	$ 18,619,057	$ 17,921,476
Deposits for payment of interest	1,391,367	1,516,151
Accounts receivable, less reserve	1,274,981	573,944
Materials and supplies, at average cost	6,235,478	6,211,917
Other	1,696,779	1,675,592
	$ 29,217,662	$ 27,899,080
	$156,839,555	$167,704,751
liabilities		
Long-Term Debt, including $6,669,694 debt service requirements due within the next fifty-two week period (see accompanying statement) (Note 2):		
Revenue bonds, after deducting amounts held by Trustee for payment of principal (Note 3)	$ 60,404,524	$ 65,938,852
Equipment trust certificates, after deducting amounts held by Trustee for payment of principal (Note 4)	11,529,166	12,776,661
	$ 71,933,690	$ 78,715,513
Appropriated Net Earnings:		
Applied for retirement of revenue bonds	$ 74,595,476	$ 69,061,148
Deficiency in revenue	15,086,707*	7,843,546*
Other (net)	3,830,100*	3,311,603*
	$ 55,678,669	$ 57,905,999
Current Liabilities:		
Accounts payable	$ 5,461,199	$ 5,199,170
Accrued wages and vacation pay	9,891,654	9,039,107
Accrued interest	1,391,367	1,516,151
Deferred revenue (Note 5)	2,271,195	2,248,096
Other	81,857	76,165
	$ 19,097,272	$ 18,078,689
Damage Reserve	$ 10,129,924	$ 13,004,550
	$156,839,555	$167,704,751

* Denotes deduction.

The accompanying notes to financial statements are an integral part of these statements.

statements of application of revenue

For the fifty-two week periods ended December 28, 1968, and December 30, 1967

	1968	1967
Operating Revenue:		
Passenger transportation	$150,225,666	$145,087,599
Other	2,711,619	2,891,638
	$152,937,285	$147,979,237
Operating Expenses:		
Operations and maintenance—		
Scheduled transit operations	$ 75,133,544	$ 70,903,430
Other, including maintenance and servicing of $30,136,857 and $27,433,792 in 1968 and 1967, respectively	36,123,526	33,717,671
Superintendence and general office	16,550,084	16,858,059
Provision for injuries and damages	5,470,774	5,919,170
Electric power for revenue equipment	3,848,042	3,991,111
Fuel for revenue equipment	2,469,752	2,481,453
Operating rentals (Note 7)	822,390	815,442
	$140,418,112	$134,686,336
Revenue Available for Debt Service	$ 12,519,173	$ 13,292,901
Debt Service Requirements:		
Interest	$ 2,845,210	$ 3,059,097
Serial bond maturity fund	1,989,247	1,994,623
Sinking funds	3,185,756	3,000,670
	$ 8,020,213	$ 8,054,390
Less—Transfers from operating expense reserve for debt service requirements	492,862	603,836
Debt service requirements deducted from revenue	$ 7,527,351	$ 7,450,554
Revenue Available for Depreciation	$ 4,991,822	$ 5,842,347
Depreciation Requirement—Current Period	12,234,983	11,838,338
Deficiency in Revenue, representing depreciation for which cash was not available for deposit with the Trustee	$ 7,243,161	$ 5,995,991

The accompanying notes to financial statements are an integral part of these statements.

statements of long-term debt

	Dec. 28, 1968	Dec. 30, 1967
Revenue Bonds (Notes 2 and 3):		
Series of 1947, 3 5/8% to 3 3/4%, due 1978	$46,208,000	$50,962,000
Series of 1952, 4 1/2%, due 1982	17,489,000	18,165,000
Series of 1953, 4 1/2%, due 1982	5,449,000	5,634,000
	$69,146,000	$74,761,000
Less—Funds held by trustee for payment of principal (see accompanying statement of funds)	8,741,476	8,822,148
	$60,404,524	$65,938,852
Equipment Trust Certificates (Notes 2 and 4):		
Series 10, 3.10% to 3.25%, due 1973	$ 3,375,000	$ 4,125,000
Series 11, 3.50% to 3.90%, due 1976	8,260,000	8,755,000
	$11,635,000	$12,880,000
Less—Funds held by Trustee for payment of principal (see accompanying statement of funds)	105,834	103,339
	$11,529,166	$12,776,661
	$71,933,690	$78,715,513

statement of funds

For the fifty-two week period ended December 28, 1968

FUND	Balance Dec. 30, 1967, Before Transfers	COLLECTED		Net Transfers Between Funds Made in 1968	Disbursements
		Revenue and Other Receipts	Interest Income		
Held By Revenue Bond Trustee:					
Transit Revenue	$13,361,435	$151,832,423	$ 131,190	$153,592,718*	$ —
Interest	1,485,346	—	28,645	2,837,372	2,966,706*
Serial Bond Maturity	1,000,000	—	56,445	1,943,555	2,000,000*
Sinking Funds	7,845	—	73	3,327,231	3,327,352*
Reserve Funds	7,827,940	—	415,323	466,983*	—
Depreciation Reserve	8,363,788	—	426,843	4,122,873	6,134,816*
Operating Expense Reserve	1,244,423	—	84,769	577,631*	—
Modernization	—	52,269	—	—	52,269*
Held By Equipment Trustee:					
For payment of interest	38,791	—	6,915	445,562	455,765*
For payment of principal	103,339	—	19,006	1,228,489	1,245,000*
Other:					
Working Cash Account	969,629	6,668,752	1,875	135,626,679	140,876,637*
Damage Reserve	5,879,755	—	313,000	5,154,652	8,318,855*
Excess Damage Reserve	1,000,000	—	49,081	49,081*	—
Total	$41,282,291	$158,553,444	$1,533,165	$ —	$165,377,400*

* Denotes deduction.

statement of changes in appropriated net earnings

For the fifty-two week period ended December 28, 1968

	Applied for Retirement of Revenue Bonds	Deficiency in Revenue	Other (Net)
Balance December 30, 1967	$69,061,148	$ 7,843,546*	$3,311,603*
Applied for retirement of revenue bonds—			
Serial bond maturity fund	$ 1,989,247	$ —	$ —
Sinking funds	3,185,756	—	—
Discount on retirement of revenue bonds	287,647	—	—
Interest on investments held for—			
Sinking funds	73	—	—
Revenue bond reserve funds	71,605	—	—
Deficiency in current period revenue, per accompanying statement of application of revenue	—	7,243,161*	—
Other—			
Interest on investments held for depreciation reserve fund	—	—	426,843
Interest on equipment trust certificates	—	—	452,478*
Transfer from operating expense reserve	—	—	492,862*
Net change	$ 5,534,328	$ 7,243,161*	$ 518,497*
Balance December 28, 1968	$74,595,476	$15,086,707*	$3,830,100*

* Denotes deduction.

Balance, December 28, 1968, Before Reflection of Transfers Yet to be Made Between Funds			Net Transfers Between Funds to be Made After Dec. 28, 1968	Balance, December 28, 1968, After Giving Effect to Transfers to be Made Between Funds		
HELD AS				CLASSIFIED AS		
Cash	U.S. Government Securities	Total		Special Funds	Current Assets	Reduction of Long-Term Debt
$ 8,082,455	$ 3,649,875	$11,732,330	$11,732,330*	$ —	$ —	$ —
1,425	1,383,232	1,384,657	28,793*	—	1,355,864	—
494	999,506	1,000,000	16,129*	—	—	983,871
1,817	5,980	7,797	26,472*	—	—	18,675*
3,198	7,773,082	7,776,280	—	—	—	7,776,280
735,565	6,043,123	6,778,688	4,767,527*	2,011,161	—	—
751	750,810	751,561	—	751,561	—	—
—	—	—	—	—	—	—
1,476	34,027	35,503	—	—	35,503	—
3,757	102,077	105,834	—	—	—	105,834
2,360,904	29,394	2,390,298	16,228,759	—	18,619,057	—
196,083	2,832,469	3,028,552	342,492	3,371,044	—	—
3,653	996,347	1,000,000	—	1,000,000	—	—
$11,391,578	$24,599,922	$35,991,500	$ —	$7,133,766	$20,010,424	$8,847,310

The accompanying notes to financial statements are an integral part of these statements.

notes to financial statements

As of December 28, 1968

(1) Revenue of each calendar year after deducting operation and maintenance expenses is to be deposited in the following funds, in the order shown, to the extent that moneys are available therefor:

A. Revenue bond interest fund, serial bond maturity fund, sinking funds and reserve funds—deposits equal to debt service requirements as provided in the revenue bond trust agreement.

B. Depreciation reserve fund—deposits equal to the annual depreciation provision and deficiencies, if any, in prior years' deposits.

C. Revenue bond amortization fund—deposits, cumulative within the year, equal to $300,000 quarterly for the Series of 1947 and 1952 revenue bonds and $16,714 quarterly for the Series of 1953 revenue bonds.

D. Operating expense reserve fund—deposit to be not less than $900,000 each year, until the balance in the fund is equal to at least $4,000,000.

E. Municipal compensation fund—deposit to be computed in accordance with the franchise ordinance.

F. Modernization fund—deposits to be equal to the moneys remaining after making required deposits to the above funds.

(2) Debt service requirements for fiscal 1969 for the payment of principal on revenue bonds and equipment trust certificates consist of the following:

	Total	Revenue Bonds	Equipment Trust Certificates
Serial bond maturity	$1,994,624	$1,994,624	$ —
Sinking funds . .	3,391,738	3,391,738	—
Principal payment funds . . .	1,283,332	—	1,283,332
	$6,669,694	$5,386,362	$1,283,332

(3) Payments of principal on revenue bonds are to be made annually from deposits made to the serial bond maturity fund and as rapidly as practicable from deposits made to the sinking funds, but at least annually from deposits to the Series of 1947 sinking fund and semiannually from deposits to the Series of 1952 and 1953 sinking funds.

Revenue bond reserve requirements were met in prior years. Amounts deposited in revenue bond reserve funds can be used only for (a) payment of principal or interest on revenue bonds whenever on any principal or interest payment date there would be insufficient moneys held by the trustee in applicable principal, interest and other funds or (b) retirement of remaining bonds outstanding whenever the aggregate amount in the revenue bond reserve fund, revenue bond amortization fund and sinking fund for any series is equal to the amount of applicable series bonds then outstanding.

(4) The collateral for Series 10 and 11 equipment trust certificates consists of 575 motor buses and 493 elevated-subway cars.

Payments of principal on equipment trust certificates are to be made semiannually from deposits made to principal payment funds. Deposits for payment of principal and interest on equipment trust certificates are to be made from the depreciation reserve fund to which deposits are to be made after requirements have been fulfilled for operating expenses and principal and interest on the revenue bonds.

(5) Funds received from the State of Illinois for reimbursement of the costs of transporting students are being recorded in revenue based on the number of school days in each month. Accordingly, $3,626,-901 and $3,694,820 were recorded in revenue for the fiscal years 1968 and 1967, respectively. The balance deferred at December 28, 1968, of $2,271,-195 will be recorded in revenue during fiscal 1969. The Authority will receive an additional $6,085,000 for the 1969-70 school year.

(6) The Trust Agreement securing the revenue bonds provides that amounts shall be set aside monthly for pensions and retirements as Chicago Transit Board shall deem necessary. Under its pension agreement, the Authority has agreed to contribute a fixed percentage of payroll costs to a contributory Retirement Plan maintained for the benefit of its employes.

The Authority's contribution to the Plan for the fiscal year ended December 28, 1968, approximated $9,300,000, which exceeded normal cost and interest on unfunded past-service cost by approximately $600,000. The actuarially computed value of vested benefits of the Plan as of January 1, 1968, the date of the latest actuarial valuation, exceeded the total of the assets of the Plan and balance sheet accruals for pensions by approximately $86,000,000.

(7) The Authority leases operating facilities under long-term leases which expire on various dates through 1998.

(8) Commitments for capital expenditures as of December 28, 1968, are approximately $5,700,000. Total 1969 construction expenditures are estimated to be $6,000,000.

mileage owned, leased, and operated

December 28, 1968

	Surface System	Rapid Transit System	Combined
Track Owned or Leased:			
Owned	1.86	170.92	172.78
Leased (Subways, Congress Expressway and Lake Street Track Elevation)	—	38.48	38.48
Total Track Owned or Leased	1.86	209.40	211.26
Revenue and Non-Revenue Track or Route Mileage:			
Revenue Miles in Operation—			
Revenue Track	—	159.60	159.60
Trolley Bus Lines (Single Way Miles)	201.00	—	201.00
Motor Bus Lines (Single Way Miles)	1,663.00	—	1,663.00
Total Revenue Miles	1,864.00	159.60	2,023.60
Non-Revenue Miles—			
Service Track	1.86(1)	49.80(2)	51.66
Connecting Trolley Bus Lines and Trolley Bus Storage	21.58	—	21.58
Total Non-Revenue Miles	23.44	49.80	73.24
Total	1,887.44	209.40	2,096.84

NOTES:

(1) Freight track at South Shops plant and railroad connection to 84th and Wentworth.

(2) Includes main line storage track, crossovers, track in yards and shops, and 3.66 miles of freight gauntlet and yard track on North-South and Evanston routes.

statement of transportation property and organization expense

Showing balance at December 30, 1967, plus additions and less retirements during 1968 and balance at December 28, 1968

	Balance Dec. 30, 1967	Gross Additions	Retirements	Balance Dec. 28, 1968
Land	$ 14,810,664	$ 40,535	$ 36,412	$ 14,814,787
Track and Paving	13,046,619	716,912	107,069	13,656,462
Machinery and Tools	5,580,949	69,929	130,115	5,520,763
Electric Line Equipment	9,356,084	88,547	468,623	8,976,008
Buildings	36,233,237	616,698	46,324	36,803,611
Cars	62,655,235	71,567	6,166	62,720,636
Buses, Fare Boxes, etc.	72,655,106	2,363,909	2,096,031	72,922,984
Work Cars, Autos and Service Equipment	2,068,483	75,587	7,824	2,136,246
Furniture	1,629,156	28,190	—	1,657,346
Signals and Interlocking	3,272,884	86,764	3,036	3,356,612
Crossings, Fences and Signs	1,434,640	1,183	3,254	1,432,569
Elevated Structures	8,991,368	434,741	8,091	9,418,018
Substation Equipment	5,413,928	510,297	1,007	5,923,218
Telephones and Communications	1,021,749	19,156	43,295	997,610
Engineering	46,623	—	—	46,623
General and Miscellaneous	6,506,438	517,170	46,474	6,977,134
Total Transportation Property	$244,723,163	$5,641,185	$3,003,721	$247,360,627
Organization Expense	85,316	—	—	85,316
Totals	$244,808,479	$5,641,185	$3,003,721	$247,445,943

revenue equipment owned

December 28, 1968

	On Hand 12-30-67	1-1-68 to 12-28-68 Acquired	Retired	On Hand 12-28-68
Buses:				
Trolley Buses	453	—	53	400
Diesel—Air-Conditioned	10	—	—	10
Diesel	1,273	103	36	1,340
Propane	1,570	—	20	1,550
Total Buses	3,306	103	109	3,300
Rapid Transit Cars:				
Steel—Conventional Type	206	—	—	206
Metal—Articulated P.C.C.	4	—	—	4
Metal—P.C.C.	768	—	1	767
Metal—Air-Conditioned High-Speed	180	—	—	180
Total Rapid Transit Cars	1,158	—	1	1,157
Total Revenue Equipment Owned	4,464	103	110	4,457

operating statistics

For fiscal year ended December 28, 1968

	Surface System	Rapid Transit System	Combined System
Revenues	$114,763,279	$ 38,174,006	$152,937,285
Revenue Passengers	346,976,958	110,792,832	457,769,790
Revenue Vehicle Miles—			
Cars—Rapid	—	44,793,812	44,793,812
Trolley Buses	12,966,784	—	12,966,784
Motor Buses	90,825,697	—	90,825,697
Total Revenue Vehicle Miles	103,792,481	44,793,812	148,586,293
Revenue per Vehicle Mile	$1.11	85.22¢	$1.03
Earning Revenue Vehicle Hours—			
Cars—Rapid	—	(1)	—
Trolley Buses	1,313,744	—	1,313,744
Motor Buses	8,508,926	—	8,508,926
Total Revenue Vehicle Hours	9,822,670	—	9,822,670
Power Statistics:			
Direct Current Kilowatt Hours	51,415,051	213,707,629	265,122,680
Average Cost per Kilowatt Hour	—	—	1.848¢
Motor Bus Fuel Statistics:			
Diesel Fuel—Gallons	11,013,869		
Average Miles per Gallon	4.02		
Average Cost per Mile	2.56¢		
Propane Fuel—Gallons	23,218,764		
Average Miles per Gallon	2.00		
Average Cost per Mile	2.87¢		

(1) Not Available

CHICAGO TRANSIT AUTHORITY

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